



## Fiscal Estimate Narratives

WEDC 1/16/2024

LRB Number	23-5348/1	Introduction Number	SB-0882	Estimate Type	Original
<b>Description</b> transferring the angel investment tax credit					

### Assumptions Used in Arriving at Fiscal Estimate

This bill allows the angel investment tax credit to be sold or otherwise transferred to another taxpayer.

Under current law, the angel investment tax credit offsets the individual income tax and equals 25 percent of the claimant's eligible investment in a qualified new business venture that is certified by the Wisconsin Economic Development Corporation. The credit may not be sold or otherwise transferred. The credit is part of the early stage business investment program, along with the early stage seed investment tax credit. Unlike the angel investment tax credit, the early stage seed investment tax credit may be sold or otherwise transferred.

Under the bill, a person eligible to claim the angel investment tax credit may sell or otherwise transfer the credit to another person who is subject to Wisconsin individual income tax if the person notifies WEDC and the Department of Revenue of the transfer and submits a copy of the transfer documents. The bill provides that, as with the early stage seed investment tax credit under current law, a person may not sell or otherwise transfer a credit more than once in a 12-month period and WEDC may charge a fee of up to 5 percent of the credit amount. The bill also specifies that a person may not sell or otherwise transfer an individual credit more than once in a 12-month period.

The corporation assumes adding transferability will lead to increased utilization of the program. Adding these requirements to the corporation may reduce resources available for other activities and programs.

Using the Early Stage Seed Credit credit as a model, WEDC has estimated the following:

- We expect a 40% growth in angel credits issued.
- That will result in an expected \$9.5 million in Angel tax credits to be issued in 2024 This would be a 40% increase from the \$6.8 million in credits issued in 2022, the baseline year.
- We assume that 38% of the Angel credit could be transferred.
- If we issue \$9.5 million in credits and 38% of those credits end up being transferred it would result in approximately \$3.6 million in additional credit transfers.
- We calculated roughly 145 transfer transactions
- Assuming \$3.6 million in credit transfers and a flat 5% fee for all transactions, the credit transfers would potentially generate \$180,000 in additional fee revenues for WEDC.

### Long-Range Fiscal Implications